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ALAN FREEMAN 2016-04-06

THE PROFIT RATE IN THE PRESENCE OF FINANCIAL MARKETS: A NECESSARY CORRECTION

ECONOFICTION CAPITAL, FICTITIOUS CAPITAL, FINANCE, MARX, MARXISM, PROFITRATE

… Most commentators agree on one point: that financial firms do not produce value but appropriate it from value produced elsewhere. They are in some sense not 'normal capitalists'. This is true, but they do not function without capital. The unaddressed question is: what does this consist of? The answer is: money capital…

… But a bank's most important assets comprise sums of money, or marketable instruments exchangeable for money, which it accumulates in the course of its business. These may be reserves, metallic or currency; or they may be low-risk securities like T-bonds or riskier holdings whose number increased so greatly in the run-up to the 2008 crash. The key point is that the bank uses them to expand the value it can command. They are its capital. Consequently, they should be included in the denominator of its profit rate, and indeed, this exactly what the bank's accountants do…

… First, it is not the financial sector which is the problem. It is finance, of which all capitalists avail themselves as a substitute for productive investment. Second, finance does not divert revenue: it diverts capital…

… Fictitious capital is a claim on somebody else's value, the nature of the claim depending on source of the value. Titles to land are a claim on rent; government bonds a claim on tax revenue; equities a claim on directly-produced surplusvalue, and so on. The process of securitisation seizes on the unity, not the difference, converting all claims on income to their common denominator: credit. Credit-capital is hence a specific form of fictitious Fictitious capital is a claim on somebody else's value, the nature of the claim depending on source of the value. Titles to land are a claim on rent; government bonds a claim on tax revenue; equities a claim on directly-produced surplus value, and so on. The process of securitisation seizes on the unity, not the difference, converting all claims on income to their common denominator: credit. Credit-capital is hence a specific form of fictitious…

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